



Ninety-Ninth Legislature - First Session - 2005
Introducer's Statement of Intent
LB 346

Chairperson: Bob Kremer
Committee: Agriculture
Date of Hearing: February 8, 2005

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 346 proposes revisions to the Beginning Farmer Tax Credit Act both to encourage greater utilization of the program by landowners and to further tailor the program to maximize its value to participating beginning farmers. The purpose of the beginning farmer program is to help new entrants into production agriculture compete in rental markets for agricultural land and other assets by offering a tax incentive to landowners who enter rental arrangements with qualified beginning farmers. The tax incentive is intended to at least partially offset the opportunity costs to a landowner by not renting to established farmers. Low utilization of the program since its inception suggest that the incentive has not successfully overcome disincentives to renting to beginning farmers to the extent the Legislature intended when enacting the program.

The bill increases the value of the tax incentive to landowners to make agricultural assets available to beginning farmers. Additionally, the bill distinguishes cash rental and share rental agreements and provides an enhanced incentive for share-rental agreements. This is because under share rental agreements landowners typically share production costs and risks which is of particular value to beginning farmers.

LB 346 also intends an incremental expansion of the pool of landowners (and thus the eligible land base) that may participate in the program and expands the pool of beginning farmers with whom landowners may enter rental agreements in order to qualify for the incentive. The latter is achieved by redefining beginning farmers as those having no more than \$200,000 net worth rather than the current law's \$100,000 net worth threshold. This change has the further purpose of being consistent with data regarding net worth of young farmers and with financial benchmarks associated with a viable farming operation. Apart from the primary purposes of the bill, there are miscellaneous statutory cleanup and clarifications of the Beginning Farmer Board's duties.

Principal Introducer:

Bob Kremer, Chairperson
Committee on Agriculture